



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Royalty Management Program
P.O. Box 5760
Denver, Colorado 80217-5760

IN REPLY REFER TO

ARD-FB-RIK
Mail Stop 3131

JUN 29 1998

OVERNIGHT COURIER
FEDERAL EXPRESS

NOTICE TO ROYALTY-IN-KIND LEASE OPERATORS

Dear Operator:

As part of an ongoing pilot to improve the existing small oil Royalty-in-Kind (RIK) program, the Minerals Management Service (MMS) has negotiated amendments to the existing contract terms with the participating RIK refiners. The revised contract terms now require that most RIK oil be delivered to particular trading centers, except where such delivery is not feasible. In accordance with 30 CFR 208.8(b) (1997), Minerals Management Service (MMS) is notifying you of a change in the designated delivery point for RIK oil effective August 1, 1998. Generally, RIK oil must now be delivered to trading centers shown below, based on oil type.

Light Louisiana Sweet (LLS) - St. James, LA or South Bend, LA
Heavy Louisiana Sweet (HLS) - Empire, LA
Eugene Island (EI) - St. James, LA
Bonita Sour (BS) - St. James, LA
Texas Gulf Coast (TGC) - Texas City, TX
Mars Blend (Mars) - Clovelly, LA

The enclosed schedule lists all of your RIK leases, whether or not the designated delivery point has changed. It lists:

- Refiner name
- RIK contract numbers
- Federal lease numbers
- Lease locations
- Refiner royalty allocation percentages
- Current delivery point
- Oil type based on MMS information
- New delivery point.

You may be able to take an oil transportation allowance in accordance with 30 CFR 206.104 (1997). If you are eligible to claim a transportation allowance on your "Report of Sales and Royalty Remittance," Form MMS-2014, please refer to 30 CFR 206.105 (1997) for further information on determining an allowance rate and reporting requirements. Also, report any quality bank adjustments separately, whether positive or negative, using Transaction Code 13, Adjustment

Reason Code 04, and Payment Method 01 or 03. The Selling Arrangement must be 444 for these amounts, rather than the RIK selling arrangement.

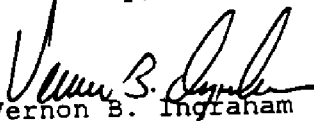
Please notify all affected lessees, payors and working interest owners of this change of the delivery point.

If our information does not show the correct oil type, or if your company is not currently operating any of the leases indicated, or if your status as operator changes during the period of the contract(s), please notify us in writing and by facsimile transmission at the following address:

Minerals Management Service
Royalty Management Program
Attention: ARD/FB/RIK, Mail Stop 3131
P.O. Box 5760
Denver, CO 80217-5760
FAX: (303) 231-3216

If you have any questions, please call Ms. Mary Turton at (303) 231-3665 or Mr. Dave Domagala at (303) 275-7255. Thank you for your cooperation.

Sincerely,



Vernon B. Ingraham
Chief, Accounting and Reports Division

Enclosure(s)



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Royalty Management Program

P.O. Box 5760

Denver, Colorado 80217-5760

IN REPLY REFER TO

ARD-FB-RIK
Mail Stop 3131

JUN 29 1998

OVERNIGHT COURIER
FEDERAL EXPRESS

NOTICE TO ROYALTY-IN-KIND LEASE OPERATORS

Dear Operator:

As part of an ongoing pilot to improve the existing small oil Royalty-in-Kind (RIK) program, the Minerals Management Service (MMS) has negotiated amendments to the existing contract terms with the participating RIK refiners. The revised contract terms now require that most RIK oil be delivered to particular trading centers, except where such delivery is not feasible. In accordance with 30 CFR 208.8(b) (1997), Minerals Management Service (MMS) is notifying you of a change in the designated delivery point for RIK oil effective August 1, 1998. Generally, RIK oil must now be delivered to trading centers shown below, based on oil type.

Light Louisiana Sweet (LLS) - St. James, LA or South Bend, LA
Heavy Louisiana Sweet (HLS) - Empire, LA
Eugene Island (EI) - St. James, LA
Bonita Sour (BS) - St. James, LA
Texas Gulf Coast (TGC) - Texas City, TX
Mars Blend (Mars) - Clovelly, LA

The enclosed schedule lists all of your RIK leases, whether or not the designated delivery point has changed. It lists:

- Refiner name
- RIK contract numbers
- Federal lease numbers
- Lease locations
- Refiner royalty allocation percentages
- Current delivery point
- Oil type based on MMS information
- New delivery point.

You may be able to take an oil transportation allowance in accordance with 30 CFR 206.104 (1997). If you are eligible to claim a transportation allowance on your "Report of Sales and Royalty Remittance," Form MMS-2014, please refer to 30 CFR 206.105 (1997) for further information on determining an allowance rate and reporting requirements. Also, report any quality bank adjustments separately, whether positive or negative, using Transaction Code 13, Adjustment

94107B

Lease Number	Location	Oil Type	Delivery Point	Operator	Price
054-001865-0	EI, BLK 64	HLS	Bayou Salle	CHEVRON U.S.A., INCORPORATED	X-4
054-001981-0	EI, N 1/2 BLK 314	EI	Caillou Island	CNG PRODUCING COMPANY	
054-004460-0	ST, BLK 076	EI	Caillou Island	CNG PRODUCING COMPANY	

AMENDMENT TO CONTRACT
FOR THE SALE AND PURCHASE OF
GOVERNMENT ROYALTY OIL

Contract Number 6300-94107

Amendment Number 5

This contract, entered into in triplicate this 31st day of July, 1998 by and between the United States of America, Department of the Interior (DOI). Minerals Management Service, hereinafter called the MMS, and:

Name	<u>Giant Industries Arizona, Inc.</u>
Address	<u>23733 North Scottsdale Road</u> <u>Scottsdale, Arizona 85255</u>
Representative	<u>Luke K. Wethers</u>
Telephone Number	<u>(602) 585-8829</u>
Alternate Contact	<u>Shawn Nelson</u>
Telephone Number	<u>(602) 585-8822</u>

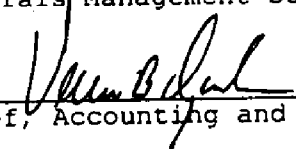
Hereinafter called the Purchaser.

The MMS and the Purchaser agree to amend the contract as follows:

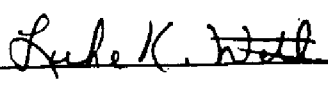
See attached 'Amendment to Contract Number 6300-94107'

In witness whereof, the parties hereto have caused this contract to be executed in triplicate on the day and year first above written.

Minerals Management Service

By 
Chief, Accounting and Reports Division

Giant Industries Arizona Inc.

By 

(SEAL)

KWD

Contract Number 6300-94107
Amendment Number 5

Page 2 of 2

CORPORATE AUTHORITY

I, Mark B. Cox, certify that I am the
Treasurer of Giant Industries Arizona Inc.
named as Purchaser herein, that Lupe R. Wether
who signed this contract on behalf of Giant Industries Arizona Inc.
was then Vice President of said corporation, and that
said contract was duly executed for and on behalf of said
corporation by authority of its governing body and is within the
scope of its corporate powers.

(CORPORATE SEAL)

Giant Industries Arizona Inc.

By 

KMB

This contract is authorized by
the Mineral Land Leasing Act of
1920, 30 U.S.C. § 181 et. seq.,
as amended, the Mineral Leasing
Act for Acquired Lands, 30 U.S.C.
§ 351 to 359, as amended, the
Outer Continental Shelf Lands Act,
43 U.S.C. § 1331 to 1356 as
amended, and the Outer Continental
Shelf Lands Act Amendments of
1978, 43 U.S.C. § 1331 et. seq.,
as amended.

AMENDMENT TO CONTRACT NUMBER 6300-94107

This Amendment to Contract Number 6300-94107 ("Amendment") is made and effective as of the 1st day of August 1998 ("Effective Date"), by and between the United States of America, Department of the Interior, Minerals Management Service ("MMS") and Giant Industries Arizona, Inc., 23733 North Scottsdale Road, Scottsdale, Arizona 85255 (the "Purchaser").

Recitals

MMS and the Purchaser are parties to a Contract for the Sale and Purchase of Government Royalty Oil, Contract Number 6300-94107, dated October 14, 1994 (the "Contract").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MMS and the Purchaser expressly agree to amend the Contract as follows:

Delete **ARTICLE IV - DELIVERY OF ROYALTY OIL**, paragraphs 1-4 (not numbered in the original contract) and replace with numbered paragraph 1.

1. Unless otherwise specified, all crude oil will be physically delivered by the lessees at MMS's expense to the trading centers identified in Table A for sale by MMS to the Purchaser at such trading centers. Crude oil specified in Table B will be physically delivered by the lessees at MMS's expense to the specific delivery locations identified in Table B. In either case, the Purchaser will be responsible for transportation from the designated delivery point.

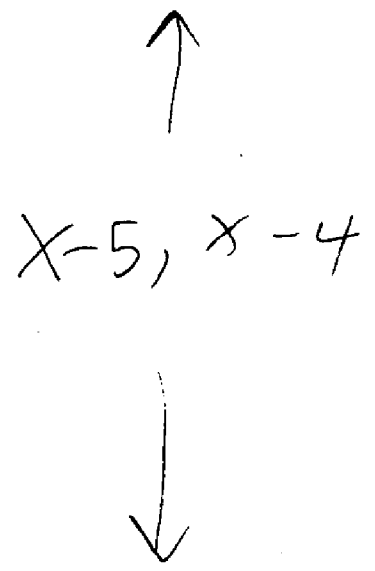
Delete **ARTICLE V - PRICE** and replace with numbered paragraphs 2 through 5 and Tables A and B.

2. The Purchaser agrees to pay for royalty oil subject to this contract in accordance with the following terms. The price for each grade of crude oil will be based on the relevant market prices for the physical month of delivery and the agreed upon differentials as reflected in Tables A and B. For the purposes of the price formulas in Table A, the following items have the meanings set forth below:
 - a. "BS" (Bonito Sour) means the arithmetic average of the daily high and low price quotes for "Bonito" for Platt's Month of Delivery.
 - b. "EDQ" means equal daily quantities.
 - c. "EI" (Eugene Island) means the arithmetic average of the daily high and low price quotes for "Eugene Island" for Platt's Month of Delivery.
 - d. "HLS" (Heavy Louisiana Sweet) means the arithmetic average of the daily high and low price quotes for "HLS" for Platt's Month of Delivery.

- e. **"Koch Posting"** means Koch Oil Company's posting for West Texas/New Mexico Intermediate, deemed 40 degrees, EDQ for the Physical Month of Delivery.
 - f. **"Koch UTGC"** means Koch Oil Company's posting for Upper Texas Gulf Coast, deemed 40 degrees, EDQ for the Physical Month of Delivery.
 - g. **"LLS"** (Light Louisiana Sweet) means the arithmetic average of the daily high and low price quotes for "LLS" for Platt's Month of Delivery.
 - h. **"Physical Month of Delivery"** means the calendar month during which the delivery of crude oil occurs.
 - i. **"Platt's Month of Delivery"** means Platt's quotes from the twenty-sixth (26th) day of the month two (2) months prior to the physical month of delivery through the twenty-fifth (25th) day of the month one month prior to the physical month of delivery (excluding weekends and holidays).
 - j. **"P+" (Posting Plus)** means the arithmetic average of the daily high and low price quotes for "P-Plus WTI" for Platt's Month of Delivery.
 - k. **"Platt's"** means Platt's Oilgram Price Report.
 - l. **"WTI"** (West Texas Intermediate) means the arithmetic average of the daily high and low price quotes for "WTI" for Platt's Month of Delivery.
 - m. **"WTS"** (West Texas Sour) means the arithmetic average of the daily high and low price quotes for "WTS" for Platt's Month of Delivery.
 - n. **"UTGC"** means Upper Texas Gulf Coast.
3. Prices and delivery points established pursuant to Tables A and B herein and the other terms and conditions herein will govern the Contract in lieu of any orders, rules, regulations or guidelines now in effect or hereafter issued by MMS, which would otherwise apply regarding the setting of prices or delivery points, or the other terms and conditions therein.
 4. While MMS retains the right to adjust the amount of monthly payments due MMS based on contract reconciliations or audits related to volumes taken by the Purchaser, prices established pursuant to Tables A and B herein may not be later adjusted by MMS. Notwithstanding any other provision herein, MMS or the Purchaser may adjust the price due to mathematical errors in its calculations. For price differentials in Table B, the Purchaser agrees to furnish all documentation necessary to justify the price differentials (between the delivery points in Table B and those specified in Table A). This documentation may include location exchange agreements, buy/sell transportation agreements, pipeline tariffs, pipeline statements, gravity/sulfur bank statements, etc..

Failure to furnish the MMS with such documentation could result in the MMS invoicing the Purchaser based on the prices established in Table A for like-quality crude oil, with no adjustment for location, at MMS's sole discretion.

5. Prices established pursuant to Tables A and B herein are intended to apply prospectively as of the Effective Date. MMS may not use the fact of this Amendment to establish retroactive determination of value for any crude oil sold to the Purchaser before the Effective Date of this Amendment, or for any other purpose to seek additional payments from the Purchaser.

TABLE A		
<u>Crude Oil Grade</u>	<u>Delivery Point</u>	<u>Price per Barrel</u> <u>(for the Physical Month of Delivery)</u>
Light Louisiana Sweet	St. James, Louisiana	 X-5, X-4
Light Louisiana Sweet	South Bend, Louisiana	
Heavy Louisiana Sweet	Empire, Louisiana	
Eugene Island	St. James, Louisiana	
Mars Blend	Clovelly, Louisiana	
Bonito Sour	St. James, Louisiana	
Texas Gulf Coast	Texas City, Texas	

The following provides an example of this price calculation:

X-5, X-4

TABLE B		
Lease #	Delivery Point	Price per Barrel
054-001865-0	Bayou Salle	
054-001981-0	Caillou Island	
054-004460-0		
054-004903-0	Maip Pass 030 Platform	

X-4

Add ARTICLE XXIII - ENFORCEMENT ACTIONS.

6. MMS agrees that it will not issue any enforcement actions (e.g., demand letters, bills, invoices, orders or decisions) regarding price related adjustments to amounts due under this Contract for crude oil sold prior to the Effective Date unless it has previously sent an Issue Letter, setting out any potential alleged price related adjustments for comment by Purchaser. Such an Issue Letter will not be issued prior to December 1, 1998. If MMS sends an Issue Letter, it will attach an agreement (*pro forma* agreement attached) to toll the issuance of any enforcement actions by MMS and any Statute of Limitations defense by Purchaser for a period of not less than one year from the date of the Issue Letter. MMS and the Purchaser expressly understand and agree that this paragraph shall survive the termination of the Contract.

Delete ARTICLE VI - PAYMENTS, second bulleted paragraph and replace with paragraph 7.

7. As of the Effective Date, the Purchaser may elect to
- apply the balance of the estimated cash payment the Purchaser paid for the first 30 days of royalty oil entitlements under the Contract to any outstanding bill issued by MMS pursuant to the Contract up to the amount of the estimated cash payment; or
 - reduce the surety, under ARTICLE X, to an amount, calculated by MMS, sufficient to cover the value of sixty-nine (69) days of royalty oil purchases. If the Purchaser elects to reduce its surety, MMS will retain the current estimated cash payment balance to pay for royalty oil delivered in the final month of the Contract.

Insert paragraphs 8 and 9 at the end of ARTICLE X

8. Upon termination of deliveries of crude oil under the Contract, MMS will reduce the amount of the Purchaser's surety instrument in amounts proportionate to payments made by the Purchaser to fulfill payment obligations. Such reductions will occur at the time the Purchaser makes such payments. The Purchaser may not reduce the surety to an amount less than the amount that MMS determines, which is the amount required to cover the estimated maximum adjustment that will be made to billed volumes following reconciliation, until the Purchaser pays the final bill (post reconciliation). MMS will notify the Purchaser of this amount, within 90 days of the end of the month in which deliveries of crude oil under the Contract were terminated.

9. MMS will release the surety in its entirety when the Purchaser has paid all billed amounts up to and including bills issued following final volume reconciliation.

RATIFICATION

10. MMS and the Purchaser hereby ratify and confirm the Contract, as Amended hereby, and confirm that all of the other terms and conditions of the Contract not modified by this Amendment shall remain in full force and effect, when not inconsistent with any modification made herein.
11. In witness whereof the parties have executed this Amendment to Contract as of the Effective Date. MMS expressly acknowledges that this Amendment is made in accordance with approved MMS procedures.

MINERALS MANAGEMENT
SERVICE

By: Vernon B. Ingraham
Vernon B. Ingraham
Chief, Accounting & Reports Division
Royalty Management Program

Giant Industries Arizona, Inc.

By: Luke K. White KND

Date: 7/27/98

Date: 7/31/98

TOLLING AGREEMENT

To avoid unnecessary administrative and judicial litigation, and to allow the Department of the Interior, through the Minerals Management Service (MMS) and the *PURCHASER* to review the facts and to present the issues fully and fairly, and to allow for potential legislation, which would forgive some or all potential liability by small refiners for underpayments that MMS believes have been made, the MMS agrees to forbear the issuance of any enforcement actions (e.g., demand letters, bills, invoices, orders or decisions) for a period of one year from the date this agreement is signed. In return, *PURCHASER* agrees that it will not assert as a defense to any claims, associated with the attached issue letter, by the Minerals Management Service (MMS) for underpaid royalties, late payment interest, or civil penalties that the limitation period under any applicable statute of limitations was running from the date of execution of this agreement until the date of termination of this agreement. *PURCHASER* further waives any defense of laches which it might otherwise assert with respect to that period.

Through this agreement, neither MMS nor *PURCHASER* waives any other rights, claims, or defenses.

PURCHASER

Minerals Management Service

BY: _____

By: _____

TITLE

TITLE

DATE: _____

DATE: _____

LEASES ASSOCIATED WITH TABLE A

Giant Industries Arizona, Inc.

Contract Number 6300-94107

Lease Number	Location	Oil Type	Delivery Point	Operator
054-001609-0	SP, BLK 061	HLS	Empire	OCEAN ENERGY
054-001609-0	SP, BLK 061	HLS	Empire	OXY, U.S.A., INCORPORATED
054-001609-0	SP, BLK 061	HLS	Empire	SHELL OFFSHORE, INC.
054-001609-0	SP, BLK 061	HLS	Empire	VASTAR RESOURCES, INC.
054-001899-0	ST, BLK 188	HLS	Empire	CHEVRON U.S.A., INCORPORATED
054-001901-0	SP, BLK 065U	HLS	Empire	OCEAN ENERGY
054-001901-0	SP, BLK 065U	HLS	Empire	SHELL FRONTIER OIL & GAS, INC
054-001966-0	MP, BLK 152	HLS	Empire	OCEAN ENERGY
054-001966-0	MP, BLK 152	HLS	Empire	SHELL FRONTIER OIL & GAS, INC
054-001967-0	MP, BLK 153	HLS	Empire	OCEAN ENERGY
054-001967-0	MP, BLK 153	HLS	Empire	SHELL FRONTIER OIL & GAS, INC
054-001981-0	EI, N 1/2 BLK 314	LLS	St. James	FOREST OIL CORPORATION
054-002047-0	EC, BLK 272	LLS	South Bend	CHEVRON U.S.A., INCORPORATED
054-002063-0	EC, BLK 338	LLS	South Bend	ORYX ENERGY COMPANY
054-002084-0	VR, BLK 282	LLS	South Bend	SOCO OFFSHORE, INC.
054-002137-0	SP, BLK 060	HLS	Empire	VASTAR RESOURCES, INC.
054-002176-0	SP, BLK 048	HLS	Empire	CHEVRON U.S.A., INCORPORATED
054-002184-0	SP, BLK 077	HLS	Empire	CHEVRON U.S.A., INCORPORATED
054-002319-0	EI, BLK 342	EI	St. James	SOCO OFFSHORE, INC.
054-002620-0	ST, S 1/2 BLK 026	HLS	Empire	ENERGY PARTNERS
054-002624-0	ST, BLK 036	HLS	Empire	CHEVRON U.S.A., INCORPORATED
054-002625-0	ST, BLK 037	HLS	Empire	CHEVRON U.S.A., INCORPORATED
054-003394-0	VR, BLK 146	LLS	South Bend	NEWFIELD EXPLORATION COMPANY
054-003529-0	EC, BLK 056	LLS	St. James	GONOCO, INCORPORATED
054-003529-0	EC, BLK 056	LLS	St. James	TRANSWORLD EXPLORATION
054-003540-0	EC, BLK 330	LLS	South Bend	NEWFIELD EXPLORATION COMPANY
054-003786-0	EI, BLK 372	BS	St. James	UNION OIL CO OF CALIFORNIA
054-004126-0	MP, BLK 310	HLS	Empire	SHELL OFFSHORE, INC.
054-004003-0	MP, BLK 030	HLS	Empire	ELF EXPLORATION, INC.
054-004935-0	MC, BLK 020	HLS	Empire	TAYLOR ENERGY COMPANY
054-005516-0	EI, BLK 324	EI	St. James	NEWFIELD EXPLORATION COMPANY
054-005825-0	MC, BLK 109	HLS	Empire	BP OIL COMPANY
054-006238-0	HI, BLK A-556	TXG	Texas City	AMERADA HESS CORP
054-006238-0	HI, BLK A-556	TXG	Texas City	TRI-UNION DEVELOPMENT COMPANY
054-008680-0	SMI, BLK 018	LLS	South Bend	FORCE ENERGY INC
054-008680-0	SMI, BLK 018	LLS	South Bend	NORCEN EXPLORER INC
054-009777-0	MC, BLK 108	HLS	Empire	BP OIL COMPANY
054-010770-0	SS, BLK 156	LLS	St. James	NEWFIELD EXPLORATION COMPANY
054-010772-0	SS, BLK 171	LLS	St. James	NEWFIELD EXPLORATION COMPANY
055-000840-0	WD, BLK 103	HLS	Empire	SHELL OFFSHORE, INC.